



MEMORANDUM

Date: April 17, 2026

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner 
County Administrator

Re: **Transmittal of the Fiscal Year 2026/27 Recommended Budget**

I am pleased to submit the Fiscal Year (FY) 2026/27 Recommended Budget for Pima County. This year's budget reflects a comprehensive integration of the [Pima County Strategic Plan](#) and the Board-adopted [Prosperity Initiative](#) and [One Pima Initiative](#). These frameworks serve as the foundation for aligning County operations, financial planning, and long-term community priorities and outcomes.

The [Pima County Strategic Plan](#) establishes a unified mission built around four pillars—Public Service, Quality of Life, Infrastructure & Growth, and Conservation & Sustainability—each supported by specific strategies and departmental accountability structures.

The [Prosperity Initiative](#) embeds economic mobility, generational wealth-building, and equity-focused decision-making into core County functions, including budgeting, program design, and performance measurement.

The Recommended Budget reaffirms the County's commitment to the [One Pima Initiative](#), a coordinated two-year plan designed to strengthen public safety, expand treatment and recovery services, improve public health, enhance housing stability, and restore the condition of The Chuck Huckelberry Loop and other County-managed public spaces. Funding for the [One Pima Initiative](#) is strategically aligned across multiple sources, including significant General Fund investments, state and federal grant revenues, and long-term opioid settlement dollars.

The FY 2026/27 Recommended Budget represents the third year of implementation of the County's comprehensive Classification and Compensation Study, initiated in FY 2023/24. This study has served as the foundation for a modern, data-driven compensation framework that supports internal equity, enhances competitiveness, and strengthens the County's ability to attract and retain the highly skilled workforce necessary to deliver quality public services. The ongoing investments in this budget reflect the County's continued commitment to furthering the Compensation Strategy Plan, which embodies an ongoing and long-term, living action plan that identifies and designs compensation strategies and builds upon the foundation initially created by the implementation of the Compensation Study.

The Recommended Budget continues Pima County's commitment to being an employer of choice by investing in a competitive, supportive, and stable workforce. This year's budget includes a 3 percent across-the-board salary adjustment for all employees, ensuring salaries remain aligned with local and national labor market demands. It also dedicates \$1.3 million to student loan reimbursement and \$1.3 million to childcare stipends—two targeted benefits designed to reduce financial barriers that disproportionately affect recruitment and retention across key occupational groups. In addition, the budget provides \$4.3 million to address market benchmarking needs, including shortages in in-demand roles, and positions currently falling below recommended market pay grades. The benchmarking included a review of half of the classifications in the County. In FY 2026/27, the remaining classifications will be reviewed with funding to follow during FY 2027/28 budget deliberations.

The Recommended Budget incorporates the planned use of Project Blue proceeds to support the County's long-term fiscal stability and strategic priorities. These proceeds provide a flexible, time-limited resource that allows the County to responsibly manage one-time needs while preserving ongoing revenue for core services. In FY 2026/27, Project Blue funding is allocated to support targeted capital, technology, and operational investments that enhance service delivery, mitigate future liabilities, and reduce pressure on the General Fund. Allocations are focused on both recurring and one-time expenditures that modernize infrastructure, strengthen departmental operations, and advance Board-directed initiatives.

To proactively navigate an increasingly uncertain economic environment as noted in the latest [Economic Decision Guide Update](#), the Recommended Budget includes a significant increase in the General Fund contingency budget, totaling \$11,919,385. This expanded contingency framework is designed to safeguard County operations amid ongoing geopolitical pressures, rising inflation concerns, and emerging recessionary indicators. Of this amount, \$5,419,385 is allocated for general contingency needs, \$1,000,000 is dedicated specifically to addressing inflationary and recession-related impacts, and \$5,500,000 is reserved as a strategic backstop in anticipation of potential changes in the federal grant landscape, particularly regarding evolving terms and conditions. Together, these allocations strengthen the County's fiscal resilience and ensure continuity of service in the face of economic volatility.

For FY 2026/27, the total budget includes \$1,810,460,244 in expenditures, reflecting an increase of \$58,547,931 or 3.3 percent compared to the FY 2025/26 Adopted Budget. The expenditure increases are distributed across all functional areas: General Government Services, Community and Economic Opportunity, Environmental and Public Health, Infrastructure Resources, and Justice and Public Safety.

It should be noted that the Governor and State Legislature have not adopted a State budget for FY 2026/27 as of the date of this Memorandum, which may have implications for the County's budget.

The County Budget website includes budget-related communications to the Board of Supervisors and County departments issued throughout the FY 2026/27 budget process. This information can be accessed on the County's home page (www.pima.gov) by clicking the County Budget link under the "Government" section.

Significant dates in the budget adoption and tax levy processes are as follows:

Date	Action
May 26, 2026	Tentative Budget Adoption (Sets Budget Ceiling)
June 23, 2026	Truth in Taxation Hearing (Pima County, County Free Library and Regional Flood Control)
June 23, 2026	Final Budget Adoption
August 11, 2026	Tax Levy Adoption

The documents listed below are attached to this budget Memorandum:

- Budget schedules detailing fund balances, expenditures, revenues, transfers, and other financing sources.
- A summary of each department's budget, including a description of the budget at the program level.

The FY 2026/27 Recommended Budget operationalizes the plans and initiatives mentioned above through disciplined fiscal stewardship, targeted investment and transparent performance expectations. It represents a strategic approach to financial management, blending continuing and expanded initiatives with fiscal prudence and reflects our commitment to maintaining stability for County residents and employees while maintaining a solid financial foundation.

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I. OVERVIEW OF RECOMMENDED BUDGET

The Recommended Budget for FY 2026/27 was developed on a framework that carefully aligns the [Pima County Strategic Plan](#), [Prosperity Initiative](#) and [One Pima Initiative](#). The recommendations contained herein prioritize the continued delivery of essential services, strategic investments in core areas, and long-term financial stability while ensuring alignment with the above referenced plans and Board-adopted priorities and initiatives. A summary of the County-wide revenue and expenditure totals are presented in greater detail below.

Revenues are projected to remain stable overall, with modest increases driven by adjustments to property taxes in accordance with Board of Supervisors policies and a secondary tax increase to support strategic priorities outlined in the [Pima County Strategic Plan](#), [Prosperity Initiative](#), and [One Pima Initiative](#). Additional support comes from grants, fees, and other sources. State and local revenues—such as Sales Tax, Highway User Revenue Fund (HURF), and Vehicle License Tax (VLT) are also expected to increase as these market areas remain stable.

The recommended FY 2026/27 revenue budget is \$1,534,222,037, representing an increase of \$57,142,806, or 3.9 percent, compared to the FY 2025/26 Adopted Budget.

Revenue Categories	FY 2025/26 Adopted Budget	FY 2026/27 Recommended Budget	Change
Property Taxes	\$ 613,502,787	\$ 652,682,454	\$ 39,179,667
Licenses and Permits	18,644,147	18,304,467	(339,680)
Intergovernmental	532,176,055	543,999,175	11,823,120
Charges for Services	260,205,699	264,614,957	4,409,258
Fines and Forfeits	5,849,177	5,674,374	(174,803)
Investment Earnings	19,023,093	22,790,148	3,767,055
Miscellaneous Revenue	27,644,471	26,122,660	(1,521,810)
Gain or Loss on Disposal of Assets	33,802	33,802	-
Total	\$ 1,477,079,231	\$ 1,534,222,037	\$ 57,142,806

The recommended budget will see total expenditures increase by \$58,547,931 or 3.3 percent over the FY 2025/26 Adopted budget. The increases reflect a strategic investment in core service areas in alignment with the [Pima County Strategic Plan](#), and [Prosperity initiative](#) and [One Pima Initiative](#). Additionally, the County continues to invest in being an Employer of Choice and the budget reflects that with a 3 percent across the board salary adjustment and separate market benchmarking adjustments both totaling \$20.5 million, along with \$1.3 million allocations for student loan reimbursements and childcare stipends, both of which represent new employee benefits for FY 2026/27. The recommended budget includes base budget adjustments which incorporate known inflationary increases, contractually mandated budget increases along with increases for internal service costs that

are spread throughout our departments. General Fund departments were permitted to submit Department Requests for Expenditure and Money (DREAMs), which included requests for maintenance of existing programs, enhancement of existing programs or expansion of existing programs. Non-General Fund departments were permitted to submit supplementals which fall under the same categories.

The table below reflects \$15.8 million in approved DREAM requests and \$28.1 million in approved supplementals across all funds. Contingency funds in the amount of \$11.9 million are also included in the recommended budget. These funds are designed to safeguard County operations amid ongoing geopolitical pressures, rising inflation concerns, and emerging recessionary indicators. These increases are primarily offset by reductions in the Special Revenue Fund due to decreases in grant expenditures and in the Debt Service Fund for decreases in General Obligation Bond debt.

Fund	FY 2025/26 Adopted Budget	FY 2026/27 Recommended Budget	Change
General Fund	\$ 814,070,938	\$ 870,917,715	\$ 56,846,777
Special Revenue Fund	510,115,198	493,023,539	(17,091,659)
Debt Service Fund	105,877,442	98,766,269	(7,111,173)
Capital Projects Fund	132,626,353	149,581,018	16,954,665
Enterprise Fund	189,222,383	198,171,704	8,949,321
Total	\$ 1,751,912,314	\$ 1,810,460,244	\$ 58,547,931

The careful planning and strategic allocation of resources are critical to the County's financial stewardship and ensuring long term fiscal sustainability. Board of Supervisors ([BOS](#)) [Policy D 22.14, General Fund – Fund Balance](#), provides for a sufficient reserve to safeguard against extreme and unforeseen financial emergencies. The policy sets a target level for the unrestricted fund balance within the General Fund at 17 percent of the previous year's audited operating expenditures. As we continue to navigate a period of economic uncertainty marked by the geopolitical pressures, rising inflation concerns and emerging recessionary indicators, it is essential that we maintain a balanced and flexible fiscal strategy.

To strike an appropriate balance between long-term financial stability and near-term community needs, the Recommended Budget proposes an adjustment to the reserve requirement, lowering it from 17 percent to 15 percent of the previous year's audited operating expenditures. This measured reduction allows for strategic reinvestment in critical services and infrastructure, helps alleviate pressure on the property tax rate, and still preserves a strong reserve position that safeguards the County's fiscal health and creditworthiness.

Drafts of the working budget, including budgets submitted by all County departments, are available on the [County Budget website](#). These reports are regularly updated throughout the budget process and include the following:

- Recommended Summary by Object Reports for both revenues and expenditures;
- Recommended Detail Line Item by Unit Reports for revenues and expenditures;
- Recommended Positions by Unit.

These financial reports include actual revenue and expenses for FY 2024/25, Adopted Budget amounts for FY 2025/26, current year-to-date figures for FY 2025/26, and the Recommended Budget for FY 2026/27. Additionally, the reports include two columns of variances that highlight comparisons between the FY 2025/26 Adopted Budget and the FY 2026/27 Recommended Budget, as well as the FY 2025/26 Adopted Budget and the actual year-to-date revenues and expenditures for FY 2025/26.

BUDGET RECOMMENDATIONS

FY 2026/27 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2025/26 is \$131,401,250. This amount represents the beginning fund balance for FY 2026/27, as stated in the Financial Forecast – March 2026, Period 8 Memorandum dated April 1, 2026.
- The FY 2026/27 Recommended Budget incorporates BOS Policies [D 22.12](#), [D 22.13](#), [D 22.14](#) (amendment proposed) and [D 22.17](#), resulting in a \$0.0790 primary property tax increase and a General Fund primary property tax rate of \$4.2733 per \$100 of net assessed value.
- General Fund revenues and transfers in are projected to total \$876,602,578, an increase of \$47,219,473, or 5.7 percent, over the current year.
- General Government revenues from all sources, excluding primary property taxes, are projected to increase by \$18,030,660, primarily due to increases in State Shared Sales Tax and Vehicle License Tax revenues.
- The net primary property tax base is projected to increase by 4.6 percent, marking the twelfth consecutive year of growth after the County's primary net assessed value decreased by 15.9 percent from FY 2010/11 to FY 2014/15 following the Great Recession. The property tax base is projected to increase modestly over the next few years.
- General Fund primary property tax revenues from all sources are projected to increase by \$32,488,567 at the recommended tax rate. Primary property tax revenues differ from the tax levy due to the impact of actual property tax collection rates, delinquent property taxes collected, and associated penalties and interest.

- General Fund expenditures and transfers out for the FY 2026/27 Recommended Budget total \$1,008,003,829, representing an increase of \$60,254,620, or 6.4 percent, from the current year's adopted budget.
- Existing State budget cost shifts for FY 2026/27 have an annual budget impact of \$134,305,101, accounting for 25.9 percent of the recommended General Fund primary property tax rate of \$4.2733.
- As stated previously, the Recommended Budget proposes an adjustment to the reserve requirement delineated in [BOS Policy D 22.14](#), from 17 percent to 15 percent of the previous year's audited operating expenditures. Based on this adjustment, the recommended General Fund Budget Reserve totals \$94,113,931, equivalent to 15 percent of the prior year's General Fund audited operating expenditures.
- The FY 2026/27 Recommended Budget for the Library District totals \$86,281,619, including operating costs, grants, and operating transfers out, an increase of \$3,555,326 over the current year. The proposed secondary property tax rate will increase from \$0.5579 in FY 2025/26 to \$0.5820 per \$100 of net assessed value. This change reflects a \$0.0041 increase associated with the application of [BOS Policy D 22.13](#) to address the State cost shift resulting from continued revenue reductions tied to the Class 1 assessment ratio, as well as a \$0.0200 increase to maintain and enhance Pima County library services and support growing operational needs in alignment with the [Prosperity Initiative](#).
- The FY 2026/27 Recommended Budget for the Debt Service Fund is \$98,766,269, a decrease of \$7,111,173 from the current year. The Recommended Budget proposes reducing the secondary property tax rate from \$0.1150 in FY 2025/26 to \$0.0875 per \$100 of net assessed value, resulting in a \$0.0275 decrease.
- The FY 2026/27 Recommended Budget for the Regional Flood Control District totals \$42,413,777, including operating costs, grants, and operating transfers out, an increase of \$3,979,579 over the current year. This includes an increase of \$3,163,385 in the secondary property tax levy. The proposed secondary property tax rate will increase from \$0.3289 in FY 2025/26 to \$0.3407 per \$100 of net assessed value. This change reflects a \$0.0018 increase associated with the application of [BOS Policy D 22.13](#) to address the State cost shift resulting from continued revenue reductions tied to the Class 1 assessment ratio, as well as a \$0.0100 increase to maintain the Chuck Huckelberry Loop and support growing programmatic needs in alignment with the [One Pima Initiative](#).
- The recommended combined primary and secondary County property tax rate (excluding the Fire District Assistance Tax) is \$5.2835 per \$100 of net assessed value, an increase of \$0.0874 compared to FY 2025/26. This results in a combined County levy (excluding the Fire District Assistance Tax) of \$649,246,823, representing an increase of \$38,893,039 from the current year. Below is the historical

combined Pima County property tax rate for the last five years (excluding the Fire District Assistance Tax), as well as the recommended rate for FY 2026/27:

Fiscal Year	Combined Tax Rate
2018/19	\$5.6084
2019/20	\$5.5584
2020/21	\$5.3108
2021/22	\$5.1952
2022/23	\$5.0652
2023/24	\$5.1048
2024/25	\$5.1048
2025/26	\$5.1961
2026/27 (Recommended)	\$5.2835

- During this budget cycle, departments and elected offices submitted more than \$80.8 million in requests, including \$31.2 million in supplemental funding and \$49.6 million in DREAM (Department Request for Expenditure Authority and Money) proposals. These requests reflect both immediate operational needs and strategic investments to support long-term service delivery. The FY 2026/27 Recommended Budget includes \$43.8 million of these requests, consisting of \$28.1 million in supplemental funding and \$15.8 million in DREAM proposals, with \$6.5 million supported by the General Fund.
- The combined total expenditures in the Recommended Budget for FY 2026/27 amounts to \$1,810,460,244, reflecting an increase of \$58,547,931, or 3.3 percent, compared to the current year's Adopted Budget.

II. AREAS OF FOCUS

The FY 2026/27 Recommended Budget is guided by the [Pima County Strategic Plan](#), which provides a comprehensive framework for aligning resources with community priorities and long-term goals. The Strategic Plan is complemented by key Countywide efforts, including the [Prosperity Initiative](#) and the [One Pima Initiative](#), which further focus investments on improving economic opportunity, enhancing quality of life, and addressing critical community challenges. Together, these frameworks ensure that budget decisions are coordinated, transparent, and responsive to the evolving needs of residents. The Strategic Plan is organized around core pillars that emphasize effective public service delivery, enhanced quality of life, sustainable infrastructure and growth, and environmental stewardship. The sections that follow highlight how the Recommended Budget advances each of these priorities, beginning with Public Service.

A. Pima County's Strategic Plan

1. Public Service

The FY 2026/27 Recommended Budget demonstrates a balanced approach to the stewardship of public funds while continuing to meet the evolving needs of the community. It emphasizes that maintaining financial stability is crucial in the face of uncertain economic conditions. The FY 2026/27 Recommended Budget incorporates several Board of Supervisors (BOS) policies to support the effective management of core functions and the provision of excellent service, including:

- [BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program](#) supports the transition from voter-authorized general obligation bond funding of capital improvement projects to a pay-as-you-go approach within the General Fund. This policy will result in a \$0.0127 increase in the tax rate and, when combined with growth in net assessed value, it is projected to generate an additional \$32.5 million in primary property tax revenue. The FY 2026/27 Recommended Budget proposes allocating the total amount of \$56.3 million in PAYGO funds to Transportation (\$25.0 million), Affordable Housing (\$5.0 million), Open Space (\$2.2 million), and County renewal projects (\$2.5 million), with the remaining balance directed toward prior-year capital debt expenditures (\$21.6 million). This is the same method successfully applied in the FY 2025/26 budget.
- [BOS Policy – D 22.13 General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers](#) evaluates and discloses the annual primary or secondary property tax levy for funding increased expenditures due to the State Legislature Cost Shifts. Over the years, Pima County observed a growing trend of the State shifting financial responsibilities onto the County. This practice significantly affects the County's ability to use collected property tax revenues to maintain adequate funding for County services. Since FY 2014/15, the County has incurred an additional \$56.0 million in costs imposed by the State, with the majority of these increases occurring in the past six fiscal years FY 2021/22 through FY 2026/27.

The FY 2026/27 Recommended Budget adheres to [BOS Policy D 22.13](#) and proposes to offset \$4.4 million in increased costs shifted by the State by raising the tax rate by 0.0422 cents. As shown in Table 1 below, the main drivers of these increases are the Arizona Long Term Care System, Superior/Juvenile Court salaries and benefits, Arizona Health Care Cost Containment System and changes in Class 1 assessment ratios.

Description	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27 Proposed
Arizona Long Term Care System	\$ 44,073,400	\$ 54,350,500	\$ 56,396,600	\$ 62,975,600	\$ 63,729,700	\$ 69,012,200
Superior/Juvenile Court – Salaries and Benefits	19,650,085	21,715,002	21,052,306	21,849,323	21,527,842	22,602,943
Arizona Health Care Cost Containment System	16,670,600	16,766,300	16,920,700	17,024,100	17,107,500	17,188,900
Class 1 (commercial property) assessment ratio from 18.00% to 15.50%	-	3,887,303	8,034,147	11,648,405	15,486,019	17,773,538
Behavioral Health System-State Contribution	3,064,936	3,046,936	3,064,932	3,064,936	3,064,936	3,064,936
Justice Courts - JP Salaries and Benefits	1,794,747	2,009,042	1,958,304	1,825,689	2,529,872	2,120,131
State Juvenile Detention Shift	1,726,800	1,726,000	-	-	-	-
Restoration to Competency	979,699	1,306,973	1,329,426	1,094,665	1,247,615	1,396,392
Constables Salaries and Benefits	1,124,712	1,066,937	1,020,736	1,129,870	1,017,720	1,146,060
Superintendent of Schools Accommodation District	591,446	391,610	340,375	466,729	-	-
Arizona Department of Revenue Operating Cost Shift	780,558	159,108	192,825	210,023	-	-
Total	\$ 90,456,983	\$ 106,425,711	\$ 110,310,351	\$ 121,289,341	\$ 125,711,204	\$ 134,305,101

The shifting of the State of Arizona's budgeted costs to Pima County continues to adversely impact the County's programs and services. The expected FY 2026/27 State cost shifts amount to \$134.3 million, equivalent to 25.9 percent of the suggested General Fund primary property tax rate. These additional costs would be recovered through a property tax rate increase in the FY 2027/28 Budget cycle, per [BOS Policy D22.13](#).

- [BOS Policy D 22.14, General Fund – Fund Balance](#), establishes a target level for the unrestricted fund balance within the General Fund at 17 percent of the previous year's audited General Fund operating expenditures. To help alleviate pressure on the property tax rate and still preserve a strong reserve position that safeguards the County's fiscal health and credit worthiness, the FY 2026/27 Recommended Budget incorporates an adjustment to the reserve requirement, reducing it from 17 percent to 15 percent of the previous year's audited operating expenditures.
- [BOS Policy D 22.17, Closing the Gap in Affordable Housing, Tackling Housing Insecurity, and Preventing an Escalation of Homelessness](#), was established to address housing affordability, reduce housing insecurity, and prevent homelessness by providing an annual allocation of County funds to support the construction of new affordable housing, the preservation of existing units, and programs that help individuals remain housed, avoid homelessness, or transition from homelessness to stable housing. This policy will result in a \$0.0300 increase in the tax rate and is projected to generate an additional \$3.7 million in primary property tax revenue to fund affordable housing objectives. When combined with the \$5 million of PAYGO dollars allocated, a total of \$8.7 M is dedicated to affordable housing, housing insecurity and the prevention of homelessness.

In addition to adhering to these policies, delivering high-quality public service to County residents depends on being an employer of choice. Attracting and retaining top talent remains a priority and is essential to effective County operations. The County has made significant investments in its workforce, most notably through the implementation of the Classification and Compensation Study in FY 2023/24. By

offering competitive compensation and comprehensive benefits, the County remains an attractive place to work and build a career.

The FY 2026/27 Recommended Budget continues this commitment through what was initially labeled Phase 3 of the Classification and Compensation Study, now known as the Compensation Strategy Plan. This recognizes the third phase is an ongoing, annual process. This budget supports the Compensation Strategy Plan by maintaining the compensation structure and providing a 3 percent across the board salary adjustment effective July 2026, representing a total investment of \$16.1 million, including \$11.1 million from the General Fund. In addition, the budget introduces two new programs, including \$1.3 million for a Child Care Program to assist employees with dependent care responsibilities and improve work-life balance, and \$1.3 million for a Student Loan Forgiveness Program to help employees manage educational debt.

In addition, the budget provides \$4.3 million to address market benchmarking needs, shortages in in-demand roles, and positions currently falling below recommended pay grades. The benchmarking included a review of half of the classifications in the County. In FY 2026/27, the remaining classifications will be reviewed with funding to follow during FY 2027/28 budget deliberations.

These initiatives align with our mission to attract and retain top talent, foster a supportive workplace, and ensure the County continues to deliver high-quality services to the community.

For FY 2026/27, budgeted benefits increased from \$193.2 million in the FY 2025/26 Adopted Budget to \$195.5 million, reflecting a change of approximately \$2.3 million. The most significant increases occurred in Public Safety and Arizona State Retirement costs, which rose by \$1.0 million and \$718,000, respectively. There were no changes to either the County's portion, or the employees' portion, of the medical insurance rates for the FY 2026/27 plan year. The Board of Supervisors approved the Pima County Health Care Benefits Trust Fund rates on December 16, 2025. For additional information, please refer to the December 16, 2025, [Medical Insurance for County Employees – Fiscal Year 2026/27 Memorandum](#).

Pima County offers six retirement plans covering nearly all employees, with multiple tiers based on the year an employee entered the retirement system. The table below shows the percentage of contributions the County makes for each covered employee under the various retirement plans, along with the change from the prior year.

Table 2: Retirement Contribution Rates			
Retirement Plan	FY 2025/26	FY 2026/27	% Change
Arizona Retirement System	12.00%	11.98%	-0.02%
Public Safety Retirement System *	33.67%	31.24%	-2.43%
Corrections Officers Retirement System *	14.90%	14.22%	-0.68%
County Attorney Investigator Retirement *	37.05%	62.51%	25.46%
Elected Official Retirement System	70.70%	70.44%	-0.26%
Admin Office of the Court Retirement System *	40.90%	40.53%	-0.37%

* Each of these plans has multiple tiers and rates. The listed rate is for our newest employees.

A final key component of the Public Service pillar is managing staffing to ensure that we are efficiently providing high-quality services to the community. On April 16, 2024, the Board of Supervisors adopted [BOS Policy D 22.16 – Vacant Positions](#), which establishes guidelines for managing vacant positions. This policy was designed to strengthen fiscal oversight and improve the management of vacancies across departments. Under the policy, positions vacant for more than 240 days are subject to elimination, with exceptions for positions currently in recruitment or appealed for programmatic reasons.

The overall County workforce has decreased by 1,391 Full-Time Equivalents (FTEs), or 16.6 percent, from its peak of 8,396 budgeted FTEs in FY 2007/08. For FY 2026/27, the total number of budgeted FTEs has increased slightly by 12 compared to FY 2025/26.

As shown in the table below, this policy has been effective in maintaining the County's overall workforce at reasonable levels.

Table 3: Total Budgeted FTE Positions, FY 2018/19 Adopted Budget through FY 2026/27 Recommended Budget			
Fiscal Year	Budgeted FTEs	Change in Budgeted FTEs	Cumulative Change in Budgeted FTEs
2018/19	7,129		
2019/20	7,112	(17)	(17)
2020/21	6,840	(272)	(289)
2021/22	6,995	155	(134)
2022/23	7,219	224	90
2023/24	7,100	(118)	(28)
2024/25	7,106	6	(22)
2025/26	6,993	(113)	(135)
2026/27	7,005	12	(123)

2. Quality of Life

The FY 2026/27 Recommended Budget continues to allocate resources aimed at enhancing the quality of life for County residents. These investments support access to healthcare and education, as well as improvements in justice system services, contributing to the overall health, well-being, and prosperity of the community.

In addition, it continues funding of \$10 million for the Pima Early Education Program Scholarships (PEEPs), \$3 million for the Emergency Eviction Legal Services (EELS) program, and allocates \$8 million in opioid settlement funds to support Health Department programs addressing community health needs.

The budget also supports expanded efforts such as the County Diaper Program (\$239,261), Summer Youth Program (\$651,213), and heat response and prevention initiatives (\$750,000), in alignment with the [Pima County Strategic Plan](#), [Prosperity Initiative](#), and [One Pima Initiative](#). Prioritizing quality of life for County residents remains a guiding principle in budget decisions.

A significant portion of the Project Blue proceeds will be utilized to advance the quality-of-life pillar in the Strategic Plan as well. The allocated funding includes the following investments:

Neighborhood Reinvestment Funding - \$2.0M

This funding will support projects that improve the quality of life, strengthen community assets, and address needs in established neighborhoods.

Environmental Health Initiative Funding - \$1.0M

Water contamination, community outreach, heat mitigation, and environmental education are three of the programs targeted to receive funding with this allocation. Funding could also include other environmental mitigation strategies along with green infrastructure, climate resilience and sustainability, and food safety and consumer health programs.

Workforce Development Funding - \$1.0M

This funding represents a 2-year commitment for expansion of green industry workforce development and apprenticeships to be administered by Community and Workforce Development utilizing the NatureWorks and WATER workforce model recently launched by the Regional Flood Control District.

Utility Assistance/Weatherization Program Funding - \$1.1M

In alignment with our Regional Housing Strategy and the [Prosperity Initiative](#), and due to increases in utility expenses for County residents, funding will be expanded for utility assistance and programs for home improvements that improve energy efficiency. Funding will also be used to hire an additional staff member dedicated to processing utility applications.

3. Infrastructure and Growth

The FY 2026/27 Recommended Budget continues the County's investment in enhancing individual and community prosperity, as well as environmental sustainability and conservation. It also emphasizes the importance of maintaining critical infrastructure and delivering essential services and benefits to the community, while expanding the availability of affordable housing and open space. The County relies on critical infrastructure to support daily operations and provide essential services, while its investment in open space yields environmental, social, and economic benefits.

The Recommended Budget includes new programs in the economic development area, such as foreign direct investment initiatives and business retention and expansion efforts, as well as small business support programs for homelessness.

The FY 2026/27 Recommended Budget includes \$8.7 million for affordable housing, of which \$5.0 million comes from PAYGO and \$3.7 million from [BOS Policy D 22.17](#), Closing the Gap in Affordable Housing, Tackling Housing Insecurity, and Preventing an Escalation of Homelessness; \$2.2 million for Open Space acquisitions and associated operations; and the continued application of [BOS Policy D 22.12](#) – PAYGO, which supports funding for various infrastructure and road projects.

In addition, the FY 2026/27 Recommended Capital Improvement Plan totals \$251,696,324, including significant investments in critical County infrastructure across multiple departments. A departmental allocation is shown in Table 6 of this memorandum, and a comprehensive list of projects is available in the Capital Projects section of the Recommended Budget Book.

4. Conservation and Sustainability

The FY 2026/27 Recommended Budget continues the County's investment in enhancing environmental sustainability and conservation. The County will continue to fund its commitment to Open Space acquisitions with \$2.2 million allocated toward this effort. With the Board approval of the Pima Climate Action Plan or PIMA CAN earlier this Spring, the Recommended Budget also begins to operationalize the plan with the inclusion of several capital projects such as:

- Arthur Pack Regional Park Field Light Replacement - \$1,750,000
- Countywide Solar Projects - \$1,500,000
- Canoa Ranch Campground - \$3,000,000

B. Prosperity Initiative

The [Prosperity Initiative](#) includes cost-effective alignment of efforts across County departments. A Prosperity Initiative Inventory was developed to catalog aligned programs and activities across departments, providing a shared reference point. Building on this work, the County has incorporated Prosperity Initiative "tagging" into

the budgeting process, allowing departments to identify how their proposed expenditures align with PI goals.

The FY 2026/27 Recommended Budget includes targeted investments toward affordable and stable housing, increased housing mobility and opportunity, and access to high-quality early education for lower-income children. In addition to Pima Early Education Program Scholarships (PEEPs) (\$10.0M), the proposed \$1.3 million toward meeting the childcare costs of County employees is consistent with prioritizing community wellbeing through aligning budget priorities to education, job quality, and workforce goals of the Prosperity Initiative.

The Initiative already supports a range of programs and investments that are demonstrating measurable progress. These include significant increases in local funding dedicated to improving housing affordability (\$8.7M in FY 2026/27) over the next decade and the establishment of a sustainable, long-term funding source for preschool scholarships for low-income families. Together, these efforts reflect a strategic shift toward upstream, preventive investments that improve outcomes for children and families while strengthening the broader community.

C. One Pima Initiative

The FY 2026/27 Recommended Budget includes funding in support of the [One Pima Initiative](#) to strengthen public safety, expand treatment and recovery services, support housing stability, protect public health, and improve the condition of The Chuck Huckelberry Loop and County-managed spaces.

Funding for One Pima is strategically aligned across multiple sources, including significant General Fund investments, state and federal grant revenues, and long-term opioid settlement dollars. These combined resources support targeted actions across all five priority areas—Loop cleanup and safety, public health and treatment access, expansion of diversion and recovery programs, housing stability, and support for impacted neighborhoods and small businesses. Together, these investments also advance the Board of Supervisors' [Prosperity Initiative](#) and ensure that the County's efforts remain coordinated, accountable, and focused on improving quality of life for residents throughout Pima County.

Funding allocated to the One Pima Initiative in the FY 2026/27 Recommended Budget includes the following:

The Chuck Huckelberry Loop Cleanup - \$750,000

This funding will support the Flood Control District's continued cleanup efforts of The Chuck Huckelberry Loop and nearby parks and washes. It also aligns with the Prosperity Initiative's policy to improve residents' quality of life.

Drug Treatment Alternative Program – Additional \$100,000

This allocation expands the County Attorney's Drug Treatment Alternative Program (DTAP) by increasing diversion capacity and peer support. This also aligns with the

Prosperity Initiative's policies to prevent and reduce crime and improve residents' quality of life.

Supportive Treatment and Engagement Program – Additional \$100,000

This funding expands the Supportive Treatment and Engagement Program (STEPS) at the County Superior Court to serve low-risk offenders and improve re-entry coordination. This also aligns with the Prosperity Initiative's policies to prevent and reduce crime and improve residents' quality of life.

III. GENERAL FUND ENDING FUND BALANCE FOR FY 2025/26

The General Fund ending balance for FY 2025/26 designated by Board policy is projected to be \$131,401,250, driven by decreased expenditures and higher than anticipated general government revenues. This represents an increase of \$37,287,319 over the FY 2026/27 budgeted General Fund reserve of \$94,113,931, which is equivalent to 15 percent of the FY 2024/25 audited General Fund operating expenditures. This reserve level reflects the Recommended Budget's incorporation of an adjustment to the reserve requirement under [BOS Policy D 22.14](#), reducing it from 17 percent to 15 percent. The ending fund balance will serve as the FY 2026/27 beginning fund balance. This available balance is proposed to be allocated to the General Fund reserve, one-time expenditures, and departmental budget increases.

IV. GENERAL FUND SUBMITTED BASE BUDGET FOR FY 2026/27

A. General Fund Base Budget Revenues

The FY 2026/27 Recommended Budget Framework and General Fund revenues are impacted by several existing BOS policies, including:

- [BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program](#)
- [BOS Policy D 22.13 - General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers](#)
- [BOS Policy D 22.14 - General Fund - Fund Balance](#)
- [BOS Policy D 22.17, Closing the Gap in Affordable Housing, Tackling Housing Insecurity, and Preventing an Escalation of Homelessness](#)

Applying these policies increases the recommended primary property tax rate by \$0.0790 from \$4.1943 in FY 2025/26 to \$4.2733 for FY 2026/27 per \$100 of taxable net assessed value.

Below is a brief discussion of each projected General Fund base revenue category.

1. General Government Revenues Other Than Property Taxes

The projected base budget for FY 2026/27 anticipates General Government revenues, excluding primary property taxes, of \$319,995,491, representing an increase of \$15,506,694, or 5.1 percent, compared to the current year's Adopted Budget.

The primary revenue source in this category is State Shared Sales Tax, which is projected to increase by \$14.9 million, or 8.0 percent, to \$202.0 million. In addition, Vehicle License Tax revenues are expected to increase by \$2.2 million, or 6.0 percent, to \$39.3 million. These projections are based on taxable sales forecasts from the University of Arizona Economic and Business Research Center and the Arizona Joint Legislative Budget Committee. While revenues are projected to increase, it is important to recognize that economic uncertainties persist, and a potential downturn could negatively impact these revenue collections.

2. Primary Property Tax Revenues

a. Annual Five-percent Cap on Taxable Net Assessed Value Increases

In 2012, Arizona voters approved a Constitutional amendment that substantially limits future overall appreciation of the existing property tax base. The amendment enforces a five percent ceiling on the rise of taxable net assessed value from one year to the next, whereas previously, the increase in taxable net assessed value was determined by the market.

b. Primary Property Tax Revenues

For FY 2026/27, the taxable net assessed value amounts to \$12.35 billion, indicating a net gain of \$542.3 million or 4.6 percent from the current year. This increase marks the twelfth consecutive year of growth in taxable net assessed value. The market value of existing property is expected to rise by approximately 3.3 percent in FY 2026/27, while new construction will add about 1.2 percent to the property tax base.

To continue the PAYGO program for road repair and other capital projects, cover State cost transfers to the County, meet affordable housing Board priorities, and maintain the targeted unrestricted General Fund balance, it is recommended that the County's General Fund primary property tax rate be raised to \$4.2733 for every \$100 of taxable net assessed value. This rate will produce a General Fund primary levy of \$527.8 million, representing a \$32.5 million or 6.6 percent increase from the amount levied in the FY 2025/26 Adopted Budget.

In addition to collecting current-year property taxes, the County also receives revenues from the payment of delinquent property taxes from prior years, along with associated interest and penalties. Combined with the projected primary property tax collection for the next fiscal year, the total base General Fund property tax revenues expected for FY 2026/27 are \$530.6 million. This amount represents \$32.5 million, or 6.5 percent more than the total General Fund primary property tax revenue approved in the FY 2025/26 Adopted Budget. The difference between the levy amount and the revenue collected is due to additional revenue generated from delinquent taxes, penalties, and interest from previous years, partially offset by accounting for a current year collection rate of less than 100 percent for this year's primary levy.

The State Truth in Taxation statute determines the County's neutral primary property tax levy and the corresponding tax rate each year. The neutral levy and tax rate are defined as the previous year's levy plus the additions to the tax base from new construction. As per the statute, the County's neutral primary tax rate for FY 2026/27 is \$4.0597 for every \$100 of taxable net assessed value, which is \$0.2136 less than the recommended General Fund primary tax rate of \$4.2733. This results in a recommended primary tax levy that exceeds the neutral levy amount by \$26.4 million or 5.3 percent. If the Board approves the recommended primary tax rate, the County is required to hold a Truth in Taxation hearing before finalizing the budget adoption. This year will be the eighth consecutive year such a hearing will be held.

The benchmark set by the State Truth in Taxation statute is more stringent than the County's Maximum Allowable Primary Levy Limit, which is linked to a moderate annual inflation rate of two percent as stipulated in the Arizona Constitution. As per the Maximum Allowable Primary Levy Limit, the County can increase its primary rate to \$4.6163, which is \$0.3430 higher than the recommended General Fund rate. Consequently, the constitution-imposed levy limit is \$570.1 million, surpassing the recommended primary property tax rate by \$42.3 million or 8.0 percent.

3. Departmental Revenues

For FY 2026/27, base budget changes in General Fund departmental revenues are projected to total \$34.6 million, representing a net decrease of \$4.2 million compared to the current year's budget. The most notable decreases occurred in the Recorder's Office and Elections Department, with decreases of \$4.5 million and \$275 thousand, respectively. These reductions are primarily due to one-time reimbursements received in the prior year for a special State election.

B. General Fund Submitted Base Budget Expenditures (Before recommended adjustments)

The General Fund supported base budgets for expenditures and transfers out require total funding of \$875,638,036 in FY 2026/27. This amount is derived by adjusting the FY 2025/26 adopted departmental budgets to account for increased benefit costs; internal service fund and administrative overhead charges; grant matches; and base cost impacts in accordance with Board adopted budget policies and prior Board directives, as well as reductions in one-time expenditures from the current year. Further details on specific base expenditure adjustments can be found in the attached individual department analyses.

V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES

A. Fiscal Strength and Stability

As mentioned in the “Areas of Focus” section, the FY 2026/27 Recommended Budget prioritizes the [Pima County Strategic Plan](#), [Prosperity Initiatives](#), and [One Pima Initiative](#), while maintaining a strong emphasis on financial stability in light of ongoing economic uncertainty. The recommended adjustments below illustrate the proactive measures being taken to achieve this objective:

- General Fund Budget Reserve: A reserve of \$94,113,931, representing 15 percent of the previous year’s audited General Fund operating expenditures, is included in accordance with [BOS Policy D 22.14](#). To help alleviate pressure on the property tax rate while preserving a strong reserve position that safeguards the County’s fiscal health and creditworthiness, the reserve requirement has been reduced from 17 percent to 15 percent. This reserve ensures the County maintains an adequate fund balance to protect its credit ratings and provides one-time funding for unforeseen emergency expenditures.
- [BOS Policy D 22.12](#) – General Fund Capital Improvement Fund Pay-As-You-Go (PAYGO) Program: This policy supports the transition from voter-authorized general obligation bond funding to a pay-as-you-go model for capital improvement projects within the General Fund. The FY 2026/27 Recommended Budget generates \$56.3 million through this program, of which \$34.7 million will fund transportation, affordable housing, open space, and County renewal projects. The remaining \$21.6 million will be allocated to prior-year capital debt expenditures.
- [BOS Policy D 22.17](#) – Closing the Gap in Affordable Housing, Tackling Housing Insecurity, and Preventing an Escalation of Homelessness: This policy includes a \$0.0300 increase in the tax rate, projected to generate an additional \$3.7 million in primary property tax revenue. When combined with \$5.0 million from PAYGO, this results in a total of \$8.7 million to address housing affordability, reduce housing insecurity, and prevent homelessness. These funds provide an annual allocation of County resources to support the construction of new

affordable housing, the preservation of existing units, and programs that help individuals remain housed, avoid homelessness, or transition to stable housing.

- **Contingency Funding:** A total of \$11.9 million in contingency funding is set aside to address a range of potential needs, including \$5.4 million for general operational needs, \$5.5 million for grant transitions, and \$1.0 million for inflationary pressures. Establishing this contingency provides the County with greater financial flexibility to respond to evolving conditions, particularly given ongoing economic uncertainty and potential variability in external funding sources. It also supports continuity of services in the event of funding gaps or cost increases.

B. Employer of Choice

The FY 2026/27 Recommended Budget continues the commitment to attracting and retaining top talent. Pima County's 2026 Employee Satisfaction Survey demonstrates meaningful progress in workplace satisfaction that directly supports job knowledge, retention and reduces organizational turnover costs. While overall job satisfaction rose to 60.8% (scores 8 – 10) up from 55.8% in 2025, employees continue to prioritize recognition and pay. The Recommended Budget includes funding for what was initially referred to as Phase 3 of the Classification and Compensation Study, now called the Compensation Strategy Plan, by maintaining the compensation structure and providing a 3 percent salary adjustment for all employees effective July 2026. This represents a \$16.1 million investment, including \$11.1 million from the General Fund.

The budget also introduces two new programs: \$1.3 million for a Child Care Program to support employees with dependent care and \$1.3 million for a Student Loan Forgiveness Program to assist with educational debt. These initiatives reinforce the County's mission to attract and retain talent, foster a supportive workplace, and continue delivering high-quality services to the community.

In addition, the budget provides \$4.3 million to address market benchmarking needs, shortages in in-demand roles, and positions currently falling below recommended pay grades. The benchmarking included a review of half of the classifications in the County. In FY 2026/27, the remaining classifications will be reviewed with funding to follow during FY 2027/28 budget deliberations.

C. Supplemental and DREAM Increases

To promote transparency and effective resource allocation, any request exceeding the approved budget for Fiscal Year 2025/26 was required to be submitted as a supplemental or DREAM request to ensure alignment with the [Pima County Strategic Plan](#), [Prosperity Initiative](#), and [One Pima Initiative](#).

This process strengthens fiscal accountability and decision-making while prioritizing key needs. Departments and elected offices submitted over \$80.8 million in requests (\$31.2 million supplemental; \$49.6 million DREAM). Of this, \$43.8 million is included in the Recommended Budget (\$28.1 million supplemental; \$15.8 million DREAM), with \$6.5 million funded by the General Fund.

Highlights demonstrating alignment with the [Pima County Strategic Plan](#), [Prosperity Initiative](#), and [One Pima Initiative](#) are outlined below:

Public Service and Prosperity Initiative: Community and Workforce Development was approved for \$239,261 to expand the County Diaper Program and \$651,213 for the Summer Youth Program.

Quality of Life and One Pima Initiative: The Health Department received \$750,000 to support sustained heat response efforts and public health hazard prevention. Detainee and Crisis Systems was approved for \$592,287 for a new pilot program for long-acting buprenorphine injections to assist individuals transitioning back into the community, aligned with One Pima.

Infrastructure and Growth: Economic Development was approved for two new programs: \$275,000 for a Foreign Direct Investment Program and \$275,000 for a Business Retention and Expansion Program. Additionally, \$250,000 in funding was approved to support small businesses addressing homelessness, aligned with One Pima.

For a comprehensive review of all recommended supplementals and DREAM requests, please see the Supplementals and DREAMs section in the Recommended Budget Book.

Table 4: Recommended Adjustments to FY 2026/27 Submitted Base Expenditures and Operating Transfers-out	
Proposed FY 2026/27 Base Expenditures and Operating Transfers-out	\$875,638,036
General Fund Budget Reserve	94,113,931
<u>DREAM</u> Increases	6,679,289
Compensation Strategy Plan (3% across the board market adjustment)	11,091,427
Benchmarking In Demand and PCSD	4,378,065
Student Loan Repayment	1,300,000
Childcare Stipend	1,300,000
Budget Stabilization (Lawyers contingency & Treasurer's IT funding)	1,583,696
Inflation Pressure Funding	1,000,000
Grant Transition Contingency	5,500,000
General Contingency	5,419,385
Total FY 2026/27 Recommended Expenditures and Operating Transfers-out	\$ 1,008,003,829

The Recommended General Fund budget totals \$1,008,003,829, which includes \$870,917,715 in expenditures and \$137,086,114 in operating transfers-out to other County departments and funds.

VI. THE OVERALL BUDGET

A. Special Districts and Debt Service

1. County Library District

The Library District is funded by a dedicated secondary property tax and provides services to the entire County. The FY 2026/27 budget for the Library District includes the operation of 26 branches, a Main Library, a nonprofit support center, a bookmobile, and a range of online services. These online services include a dynamic web portal, "Ask a Librarian," Infoline, online homework assistance, employment and career resources, full-text magazines, journal articles, downloadable e-books, audiobooks, videos, and music.

The Library's collection comprises 1.2 million cataloged items expected to be borrowed 7 million times within a year. Additionally, it provides 1,400 computers that generate 1.5 million computer sessions used by the public.

The County Library District property tax base has increased for the eleventh consecutive year, with a projected increase of 4.6 percent in FY 2026/27 due to the increase in the net assessed values.

The FY 2026/27 Recommended Budget for operating costs, grants, and operating transfers-out is \$86,281,619. The budget will cover increased operating expenses, including salaries and benefits, support of the Pima Early Education Program (PEEPs), other internal service charges, and maintenance costs.

For the seventh consecutive budget year, \$0.0400 of the Library tax rate is dedicated to Library Pay-As-You-Go Capital Improvement. Six PAYGO Library Capital Improvement Projects are scheduled for FY 2026/27, along with ongoing upgrades to library interiors, exteriors and parking lots. The Library's capital improvement projects include the Joel Valdez Main Library Renovation, expanding and renovating the Himmel Library and beginning design of the new Southwest Library. Furthermore, improvements to the library network and community broadband access are included in the plan.

In FY 2021/22, the County initiated the Pima Early Education Program with the aim of increasing the enrollment of income-eligible 3- to 5-year-old children in evidence-based high-quality preschools. The program was funded by the American Rescue Plan Act through FY 2024/25 and is currently funded by the Library District.

The Library District's recommended secondary property tax rate for FY 2026/27 is \$0.5820 per \$100 of taxable net assessed value, an increase of \$0.0241 from the previous year. This includes a \$0.0200 increase to maintain and improve Pima County libraries and support growing operational needs in alignment with the [Prosperity Initiative](#), and a \$0.0041 increase to implement [BOS Policy D 22.13](#) – State Cost Shifts, addressing continued revenue reductions from the Class 1 assessment ratio. The proposed rate is projected to generate \$71,468,799 in tax revenue, plus an additional \$2,685,510 from fines, interest, grants, and other sources.

2. Regional Flood Control District

The Regional Flood Control District (RFCD) property tax base is projected to increase for the eleventh consecutive year, with a 5.1 percent rise in taxable net assessed value expected for FY 2026/27.

In addition, the recommended RFCD budget for the upcoming fiscal year includes operating transfers-out of \$22,855,481, which marks an increase of \$2,800,777 compared to the current year. These transfers include the following:

- \$21,000,000 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program
- \$800,000 transfer to the Capital Projects Fund to fund the Altar/Brawley Erosion Protection Project and the Riparian Mitigation Project Acquisition Fund
- \$544,089 transfer of grant funding to the Capital Projects Fund for the El Vado Storm Sewer and Finger Rocks Hazard Mitigation Home Purchases
- \$189,602 transfer to the Stadium District for operating and maintenance costs of the Kino Environmental Restoration Project
- \$130,000 transfer to Office of Emergency Management for Flood Emergency Preparedness
- \$112,000 in funding for the County's Native Plant Nursery
- \$79,790 transfer to the Debt Service Fund for the ERP system replacement

The Regional Flood Control District's FY 2026/27 secondary property tax rate is recommended at \$0.3407 per \$100 of taxable net assessed value, representing a \$0.0118 increase from the previous year. This includes a \$0.0100 increase to maintain Flood Control's Chuck Huckelberry Loop maintenance and support growing programmatic needs in alignment with the One Pima Initiative, as well as a \$0.0018 increase to implement [BOS Policy D 22.13](#) – State Cost Shifts,

specifically addressing continued revenue reductions related to the Class 1 assessment ratio.

3. Debt Service Fund

The FY 2026/27 Recommended Budget for the Debt Service Fund totals \$98,766,269, reflecting a \$7,111,173 decrease from the current fiscal year. This fund covers payments on the County's various debts, such as General Obligation, Street and Highway Revenue Bonds, Certificates of Participation, and Pledged Revenue Obligations. Most of these debts are relatively short-term and must be repaid within fifteen years.

a. General Obligation Debt Service

The County's General Obligation Debt Service is funded by a secondary property tax levy. Since the inception of the 1997 Bond Program, the debt service for new bond sales backed by the secondary tax levy has been balanced by ongoing reductions in debt service for outstanding bonds. The retirement of the 1997 bonds led to the issuance of new debt for 2004, 2006, and 2014 bonds. The final General Obligation Bond Authorization was issued in FY 2016/17. All General Obligation debt is expected to be paid in full by FY 2028/29.

The recommended FY 2026/27 tax rate is \$0.0875 per \$100 of taxable net assessed value, a decrease of \$0.0275 from FY 2025/26. This reduction aligns with [BOS Policy D 22.12](#) - General Fund Capital Improvement Fund Pay-As-You-Go Program. The recommended debt service budget of \$10,521,845 for FY 2026/27 is for the existing debt service.

b. Street and Highway Revenue Debt Service

The 1997 Transportation Bond authorization provides for the sale of Street and Highway Revenue bonds, with the debt service repaid from the HURF revenues the Transportation Department receives from the State of Arizona. The recommended debt service amount for Street and Highway Revenue Bonds in FY 2026/27 is \$8,250,244, representing a \$2,237 increase from the current fiscal year.

c. Certificates of Participation Debt Service

The County's Certificates of Participation (COPs) debt service amount for FY 2026/27 is recommended to be \$51,413,120, a decrease of \$2,923,601 compared to the previous year. This debt service includes the COPs issued in prior years for the construction or acquisition of various County facilities such as the Office of the Medical Examiner, the Public Service Center and Parking Garage, the Historic Courthouse, Kino South Sports Complex, the Defense

Services Building, Valencia Road Bridge and the Transportation Road Repair and Pavement Preservation Program. It is important to note that the COPs debt service is not paid from the General Obligation debt service tax levy but from other available funds, such as the General Fund, PAYGO, Parking Garage and Stadium proceeds, Impact Fees, etc.

d. Pledged Revenue Obligation Debt Service

The Pledged Revenue Obligation debt service amount for FY 2026/27 is \$28,581,060, representing an increase of \$613,053 from the previous fiscal year. This debt was issued in FY 2020/21 as a one-time measure to address unfunded pension liabilities associated with the Public Safety and Correction Officer Retirement Plans. The repayment of this debt is sourced from a portion of the State Shared Sales Taxes, County Excise Revenues, Payments in Lieu of Property Taxes, and the General Fund portion of the State Vehicle License Tax.

e. Sewer Debt Service

In addition to the debt service included in the Debt Service Fund, Pima County has additional debt service in the Regional Wastewater Reclamation Enterprise Fund. This debt service is paid for with sewer system revenues with no impact on the overall Debt Service Tax Rate. As of June 30, 2026, the outstanding sewer debt will be \$302,520,000. Sewer infrastructure debt accounts for about 52 percent of all County Capital Improvement Program debt.

4. Overall Pima County Debt

Pima County utilizes several types of debt, such as General Obligation, Street and Highway, Certificates of Participation, and Sewer Revenue Obligations, to finance its Capital Improvement Program. The County's debt is not a traditional long-term debt, but a relatively short-term debt limited to 15-year repayment schedules.

In FY 2012/13, Pima County's debt for capital projects peaked at \$1.35 billion from all sources. However, because the County limits this type of debt to 15-year repayment schedules, the current Capital Improvement Program debt is expected to decrease to approximately \$578.4 million by the end of FY 2025/26.

By the end of FY 2026/27, the projected total debt for the Capital Improvement Program is expected to be \$575.2 million. This amount includes \$40 million in Certificates of Participation for projects such the Joel Valdez Main Library Renovation, Superior Court Tenant Improvements and 130 W. Congress improvements for the Board of Supervisors and County Administration and \$75 million in Sewer Revenue Obligations for Regional Wastewater Reclamation projects.

B. General Fund Pay-As-You-Go Capital Improvement Funding (PAYGO)

The current budget allocates \$56,282,424 for the PAYGO Program as mandated by [BOS Policy D 22.12](#) General Fund Capital Improvement Fund Pay-As-You-Go Program. Out of this, \$25,000,000 is designated for the repayment of the \$150 million advanced for pavement preservation, \$5,000,000 is for Affordable Housing, \$2,200,000 is for Open Space, \$2,500,000 is for County Renewal Projects and the remaining balance is for debt service on prior-year capital expenditures. The FY 2026/27 PAYGO allocation was determined by utilizing sixty percent of the decrease in the current Debt Service secondary tax rate and sixty percent of the increase in the tax base, with the remaining unobligated tax value reducing the combined tax rate.

The PAYGO Program's objective is to repair roads within ten years ending in FY 2029/30, provide funding for General Fund capital improvement projects and initiatives subject to Board approval, reduce debt interest expense, and lower the combined County property tax rate. The program depends on rapidly paying off the general obligation bond debt in the next few years, reducing the demand for the secondary tax rate.

The PAYGO General Fund Capital Improvement Fund aims to fund the capital program at a zero-dollar level for debt service payment once all General Obligation Bond Debt has been fully retired. However, to adhere to the constitutionally imposed expenditure limit, the County will still use short-term debt instruments for annual capital financing. The County will continue to issue longer-term Certificates of Participation for large-scale capital projects like the Joel Valdez Main Library Renovation along with the Superior Court and 130 W. Congress improvements.

Transportation's Road Repair and Pavement Preservation program received \$150 million, which is being repaid by the Transportation allocation from the General Fund PAYGO program. The total amount allocated for payment preservation from PAYGO was not increased; it was only accelerated.

Table 5 displays the FY 2026/27 secondary property tax levy for debt service and the PAYGO calculation.

Table 5: FY 2026/27 General Fund Pay-As-You-Go Primary Tax Levy	
Debt Service ^[1] Secondary Tax Collection Rate	0.0875
Secondary Tax Levy Decrease ^[2]	0.0275
60% of Decrease ^[3]	0.0060
Primary PAYGO Levy from Cumulative Debt Service Rate Reductions	\$44,648,006
Primary PAYGO Levy from 60% of FY 2026/27 NAV Increase	11,634,418
Total Available for PAYGO ^[4]	\$56,282,424

- [1] Secondary property tax rate necessary to pay principal and interest payments for all County outstanding general obligation bond debt.
- [2] Year-to-year secondary debt service tax rate difference.
- [3] As the debt service tax rate decreases, sixty percent of the decrease will be used to build the PAYGO general fund. The remaining forty percent will be used to reduce the overall County tax rate.
- [4] FY 2026/27 amount available in the PAYGO fund.

C. Pavement Preservation and Repair Funding

In FY 2026/27, the Transportation Department's Recommended Budget will allocate \$28.2 million in state-shared gas and vehicle license tax revenue funding for the Road Repair and Pavement Preservation Program. Combined with the investments made since PAYGO's inception in FY 2019/20, the total investment in pavement repair totals \$352.6 million.

D. Annual Capital Projects Fund Budget and Capital Improvement Plan Budget

As outlined in Table 6, the FY 2026/27 recommended Capital Improvement Plan totals \$251,696,324. This plan includes the Capital Projects Fund Budget of \$149,599,952, Capital Projects of Regional Wastewater Reclamation of \$98,096,372 and Information Technology – Internal Service Fund of \$4,000,000.

For a comprehensive list of projects within the Recommended Capital Improvement Plan, please refer to the Capital Projects section of this Recommended Budget Book.

1. Capital Projects Fund Budget

The recommended Capital Projects Fund Budget for FY 2026/27 totals \$149.6 million, an increase of \$16.9 million or 12.8 percent from the current year's budget of \$133.0 million primarily due to the increase for the Transportation project on Mission Road to Camino De La Tierra. The budgeted projects are funded by the Regional Flood Control District, State Revenue, Regional Transportation Authority Sales Taxes, Impact Fees, Grants, Certificates of Participation (COPs), Library District, General Funds, and other sources.

The Department of Transportation has budgeted \$40.3 million for 25 projects. The projects include \$19.2 million for Valencia Road: Mission Road to Camino De La Tierra, \$3.4 million for Madera Canyon – Florida Canyon Wash Bridge and \$2.8 million for Palo Verde Road Sidewalks. The FY 2026/27 Department of Transportation Capital Program is primarily funded with Grants along with \$14.2 million in Impact Fees and \$3.1 million from various other funding sources.

Project Design and Construction has budgeted \$28.0 million for 11 projects. The projects include \$20.8 million for the Regional Middle Mile Project, \$2.5 million for

the Drexel Facility Renovations and \$2.4 million for the Water Line to the Arizona Sonora Desert Museum.

Facilities Management has budgeted \$25.7 million for 21 projects. This includes \$7.1 million for the continued construction of the Superior Court improvements, and \$4.0 million for improvements to the 10th and 11th floor at 130 W. Congress. Other projects to note include \$2.0 million for the Elevator Modernization at 110 W. Congress and at the El Presidio Parking Garage.

2. Regional Wastewater Reclamation Capital Budget

The recommended capital budget for the Regional Wastewater Reclamation Department for FY 2026/27 totals \$98.1 million, a \$35.2 million increase from the current fiscal year. The capital program plan for FY 2026/27 will be funded using RWRD Sewer Revenue Obligations.

Sewer conveyance system projects total \$42.5 million, with \$10.8 million for University of Arizona Tech Park Interceptor Augmentation, \$9.5 million for the Santa Rita Interceptor and \$8.0 million for the Canoa Ranch Sewer Extension. Sewer treatment facility projects total \$55.5 million, including \$22.6 for the Tres Rios Class A Biosolids project, \$12.0 million for the Santa Rita Resource Reclamation Facility and \$8.2 million for the Tres Rios Digester Facility.

3. Information Technology - Internal Service Fund Capital Budget

For FY 2026/27, the recommended capital budget for the Information Technology - Internal Service Fund totals \$4.0 million, a decrease of \$1.9 million from the current fiscal year. The budget includes \$2.5 million for Server Storage, \$1.0 million for a Network Refresh, and \$500,000 for the Cabling Lifecycle Management Plan. These projects will be funded through Information Technology - Internal Service Fund Operations.

VII. COMBINED TOTAL COUNTY BUDGET

A. Combined County Property Tax Rate and Levy

The County's Recommended Budget expenditures are funded by a combination of primary and secondary property taxes, which fund 36.1 percent of the total budget. These taxes are the only County revenues over which the Board has significant control. The majority of the County budget is funded through charges for services and intergovernmental revenues, particularly State revenue sharing and grants.

Based on the application of the aforementioned Board policies resulting in a \$0.0790 increase, the primary property tax rate for the General Fund is proposed to be raised to \$4.2733 per \$100 of taxable net assessed value. This proposed rate exceeds the neutral primary levy rate required under State Truth in Taxation laws. The neutral levy

tax rate for FY 2026/27 is \$4.0597 per \$100 of taxable net assessed value. As a result, a Truth in Taxation hearing must be scheduled and conducted in conjunction with the Final Budget Adoption process.

The County controls three secondary property tax rates associated with the Library District, Regional Flood Control District (RFCD), and Debt Service. It is recommended that the Debt Service property tax rate decrease by \$0.0275 per \$100 of taxable net assessed value, the RFCD rate increase by \$0.0118 per \$100 of taxable net assessed value, and the Library District rate increase by \$0.0241 per \$100 of taxable net assessed value. These changes, combined with the increased taxable net assessed values, will result in a \$6.4 million increase in secondary tax levies for FY 2026/27.

Similar to the County's primary property tax levy, the RFCD and Library District secondary property tax levies are subject to Truth in Taxation requirements. The effect on each district is outlined below:

For the Library District, the neutral secondary property tax rate for FY 2025/26 is \$0.5400 per \$100 of taxable net assessed value, while the recommended secondary property tax rate is \$0.5820 per \$100 of taxable net assessed value. If the Board approves the recommended rate, the Library District will need to issue a Truth in Taxation Notice and hold a public hearing on Truth in Taxation before final budget adoption, as required by statute.

For the RFCD, the neutral secondary property tax rate for FY 2025/26 is \$0.3154 per \$100 of taxable net assessed value, while the recommended rate is \$0.3407 per \$100 of taxable net assessed value. In accordance with the statute, if the Board approves the proposed tax rate, the RFCD will have to issue a Truth in Taxation Notice and hold a public hearing before the final budget adoption.

Table 7 below illustrates the recommended changes in both the primary and secondary tax rates.

Table 7: Recommended Changes in Primary and Secondary Tax Rates						
	FY 2026 Adopted Tax Rates	PAYGO Policy D22.12	State Cost Shift Policy D22.13	Affordable Housing Policy D22.17	Proposed Adjustment	Recommended FY 2026/27 Rates
Primary Tax Rate						
General Fund Primary	\$3.7435	\$0.0078	\$0.0363	\$ -	\$ -	\$3.7876
PAYGO	\$0.4508	\$0.0049	\$ -	\$ -	\$ -	\$0.4557
Affordable Housing	\$ -	\$ -	\$ -	\$0.0300	\$ -	\$0.0300
Total Primary Tax Rate	\$4.1943	\$0.0127	\$0.0363	\$0.0300	\$ -	\$4.2733
Secondary Tax Rate						
Library District	\$0.5579	\$ -	\$0.0041	\$ -	\$0.0200	\$0.5820
Debt Service	\$0.1150	\$(0.0275)	\$ -	\$ -	\$ -	\$0.0875
Flood Control District	\$0.3289	\$ -	\$0.0018	\$ -	\$0.0100	\$0.3407
Total Secondary Tax Rates	\$1.0018	\$(0.0275)	\$0.0059	\$ -	\$0.0300	\$1.0102
Total County Tax Rates	\$5.1961	\$(0.0148)	\$0.0422	\$0.0300	\$0.0300	\$5.2835

The result of these recommendations is a combined County property tax rate of \$5.2835 per \$100 of taxable net assessed value, representing an increase of \$0.0874 compared to the FY 2025/26 Adopted Budget tax rate of \$5.1961. The recommended primary and secondary County tax rates for FY 2026/27 are summarized in Table 8 below.

Table 8: Combined Recommended County Property Tax Rate			
Description	FY 2025/26 Adopted Rates	FY 2026/27 Recommended Rates	Difference
General Fund Primary	\$4.1943	\$4.2733	\$0.0790
Library District	0.5579	0.5820	0.0241
Debt Service	0.1150	0.0875	(0.0275)
RFCD	0.3289	0.3407	0.0118
TOTAL	\$5.1961	\$5.2835	\$0.0874

Over the past seven years, the County has steadily reduced its outstanding debt and transitioned to a General Fund PAYGO capital funding model. This approach has significantly decreased the combined County tax rate, as shown in Table 9 below. The recommended tax rate of \$5.2835 represents a 5.8 percent reduction or a \$0.3249 decrease since FY 2018/19.

Table 9: Combined County Property Tax Rate			
Fiscal Year	Total Tax Rate	Change in Tax Rate	Cumulative Change in Tax Rate
2018/19	5.6084		
2019/20	5.5584	(0.0500)	(0.0500)
2020/21	5.3108	(0.2476)	(0.2976)
2021/22	5.1952	(0.1156)	(0.4132)
2022/23	5.0652	(0.1300)	(0.5432)
2023/24	5.1048	0.0396	(0.5036)
2024/25	5.1048	0.0000	(0.5036)
2025/26	5.1961	0.0913	(0.4123)
Recommended 2026/27	5.2835	0.0874	(0.3249)

For the twelfth consecutive year, the County's overall property tax base is projected to increase. As a result, the recommended rates outlined above will be applied to a primary tax

base that is 4.6 percent higher than the current year's base. Similarly, secondary tax bases such as those for Debt Service and the Library District will also increase by 4.6 percent, while the RFCD tax base will see a slightly higher increase of 5.1 percent. These increases, combined with the recommended primary and secondary property tax rates, will result in a \$38,893,039 or 6.4 percent increase in the recommended combined County property tax levies compared to the current year, as shown in Table 10.

Table 10: Combined Recommended County Property Tax Levy			
Description	FY 2025/26 Adopted Levies	FY 2026/27 Recommended Levies	Difference
General Fund Primary	\$495,284,362	\$527,785,130	\$32,500,768
Library District	65,879,681	71,881,437	6,001,756
Debt Service	13,579,787	10,806,917	(2,772,870)
RFCD	35,609,954	38,773,339	3,163,385
TOTAL	\$610,353,784	\$649,246,823	\$38,893,039

B. Combined County Budget

The FY 2026/27 Recommended Budget includes expenditures totaling \$1,810,460,244, as reflected in the budget schedules and departmental budget summaries provided with this Memorandum. This expenditure amount represents an increase of \$58,547,931, or 3.3 percent, from the FY 2025/26 Adopted Budget amount of \$1,751,912,314.

This Recommended Budget reflects a deliberate and disciplined approach grounded in the [Pima County Strategic Plan](#) as well as the core principles of the [Prosperity Initiative](#) and [One Pima Initiative](#) framework. These priorities served as the foundation for every major funding decision, guiding the allocation of resources toward policies and programs that advance long-term community well-being, operational excellence, and equitable economic opportunity. By aligning investments with these Countywide objectives, the budget positions Pima County to meaningfully address current needs while strengthening our capacity to deliver sustainable and measurable outcomes in the years ahead.

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